



Barossa Infrastructure

LIMITED

ANNUAL REPORT | 2017

Corporate Directory

Domicile of Barossa Infrastructure Ltd: Australia

Barossa Infrastructure Ltd
incorporated in: South Australia

Legal form of Barossa Infrastructure Ltd:
Unlisted Public Company

Board of Directors

Robert Chapman (Chairman)
Grant Burge
Geoffrey Davis
Gayle Grieger
John Kerr
Timothy McCarthy
Victor Patrick
Steven Wilson

General Manager

Paul Shanks

Company Secretary

Geoffrey Davis

Corporate Adviser

Capital Strategies Pty Ltd
A.C.N. 008 181 173

Auditors

KPMG

Lawyers

Minter Ellison

Customer Service Centre

2 Basedow Road
Tanunda, SA 5352
Phone 08 8563 2300
Fax 08 8563 1266

Registered Office

A.C.N. 084 108 958
Barossa Infrastructure Ltd
C/- Level 6, 81 Flinders Street
Adelaide, SA 5000

Website

<http://barossainfrastructure.com.au>

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Directors



MR ROBERT CHAPMAN
Chairman



MR GRANT BURGE
Director



MR GEOFFREY DAVIS
Director



DR GAYLE GRIEGER
Director



MR JOHN KERR
Director



MR TIMOTHY MCCARTHY
Director



MR VICTOR PATRICK
Director



MR STEVEN WILSON
Director



Contents

| | |
|--|----|
| Chairman's Report | 4 |
| General Manager's Report | 6 |
| Corporate Governance Statement | 10 |
| Directors' Report | 12 |
| Statement of Profit or Loss and Other Comprehensive Income | 18 |
| Statement of Changes in Equity | 19 |
| Statement of Financial Position | 20 |
| Statement of Cash Flows | 21 |
| Notes to and Forming Part of the Financial Statements | 22 |
| Directors' Declaration | 43 |
| Auditor's Independence Declaration | 44 |
| Audit Report | 45 |



Expansion Confirmed

In late June 2017 Barossa Infrastructure was informed that Cabinet approval had been obtained and SA Water had signed a renewed Water Transport Agreement. This met the last of the conditions precedent from the "Offer Information Statement" of 2 December 2016. Barossa Infrastructure Ltd will now have increased capacity of water transported via the Warren Reservoir from the River Murray to 11,000 Megalitres per annum.

This expansion of capacity of 2,000 Megalitres per annum will be implemented over the next 2 years and involves total expenditure of about \$20 million by the Company on our own infrastructure, a contribution to SA Water for their expenditure on upgrading the Warren Transfer Main, their pump station and a section of the Mannum Adelaide pipeline, as well as the River Murray Water Rights the Company must hold to support the increased capacity.

Expansion of the Company's infrastructure will include the construction of a 500 Megalitre water storage facility in the Ebenezer area and associated pump station and pipelines. The water storage facility requires further approvals and is scheduled to be constructed in the 2017/2018 summer. The impact is that customers in the northern area will not be able to access the increased supply until the 2018/2019 water year. In addition to this all existing pump stations will be upgraded over the next year and a new pump station constructed on Yaldara Drive, Lyndoch.

This and previous expansions provide benefits for all customers. Fixed overheads are spread over a greater volume of supply, surplus funds have been generated for securing water rights and the Water Transport Agreement has been extended as discussed below. About 2/3 of existing customers have participated in the expansion.

The expansion has confirmed for all customers the benefit of their investment.

Financial

The Company made a profit after tax of \$1,363,000 compared with last year of \$1,860,000. Sale of water was well down at \$4,876,000 compared with \$7,339,000 last year. There was no rebate to customers, in order to preserve cash flow for the expansion. Issued capital increased from \$12,179,000 to \$15,166,387.

River Murray Water Rights

It is a requirement that the Company hold River Murray water allocations for all water transported by SA Water. To meet this requirement the Company has a mixture of permanent water entitlements, long term leases and temporary allocation purchases. The objective is to increase the holding of permanent entitlements as funds permit. The Company purchased 90 Megalitres of Goulburn Water Rights during the year.

The above average rainfall in the winter and spring of 2016 was in contrast to a dry start to the season this year. Consequently, costs of temporary water rights are now well above those of last year. This has been partially offset with the advanced purchase in May 2017 of 1,000 Megalitres of temporary allocation for 2017/2018.

Water Transport Agreement

The revised Water Transport Agreement with SA Water has benefits for customers and the Company. The agreement expands the capacity to 11,000 Megalitres per annum which is above the previous limit of 10,000

Megalitres per annum. It also contains provision for further expansion.

The agreement now extends to 2040 with a right of renewal to 2060 at the Company's discretion. It also provides for lower fixed charges and provides a consistent measure for their annual review. Your Board expects that the new agreement will result in lower water costs in the long term.

Corporate Governance

The Company, as a part of the Barossa, is committed to the long term sustainability of supplementary irrigation of Barossa vineyards. This is achieved through monitoring the environmental risks, providing additional water to customers to meet climate change, keeping prices as low as possible and planning for future maintenance and replacement of assets.

There were no work, health and safety issues reported to the Board.

New customers signed an amended customer contract with small revisions made to accommodate the requirements of the legislation governing consumer contracts. The Board has policies that extend this benefit to all customers. The revised customer contract is available on the Company website.

As reported last year the process of Board renewal has commenced with the appointment, subject to confirmation at the Annual General Meeting, of two new Directors with the retirement of Mr Martin Pfeiffer and Mr Ed Schild. The new Directors are Mr John Kerr, who has been a long-term adviser to the Company and Mr Tim McCarthy who has a family commitment to the Barossa and a senior position with Orlando.

This year there are many to thank for the successful expansion of the Scheme. The staff of SA Water who worked hard under a tight deadline, in particular Ms Lynda Hampton, Minter Ellison and Ms Jennifer Tobin,

John Kerr from Capital Strategies, Simon Schutz from Arup and Board adviser Mr Borvin Kracman, who has now taken on the role of Project Manager for the expansion. My thanks go out to all Board members and members of the Executive Committee, Mr Vic Patrick and Mr Geoff Davis.

The Company continues to be indebted to our General Manager, Mr Paul Shanks, for the extremely professional and efficient ongoing operation of the Scheme. Our thanks also are due to his staff, Ms Patsy Biscoe, Mrs Lisa Buckley and Mr Neville Skipworth.



Robert I Chapman
Chairman

12 September 2017



2016/2017 has been a busy year with the Scheme expansion consuming a great deal of time. It is satisfying that 87% of this extra water was taken up by existing customers. The expansion is phased in over 3 years to assist customers with new plantings. Despite the inability to supply customers in the northern area in the 2017/18 water year, about 1/3 of the water has been ordered for the 2018/2019 year. Laying of the new pipelines and an increase in the pumping capacity at Airfield pump station is scheduled for completion before December high usage commences. Work has

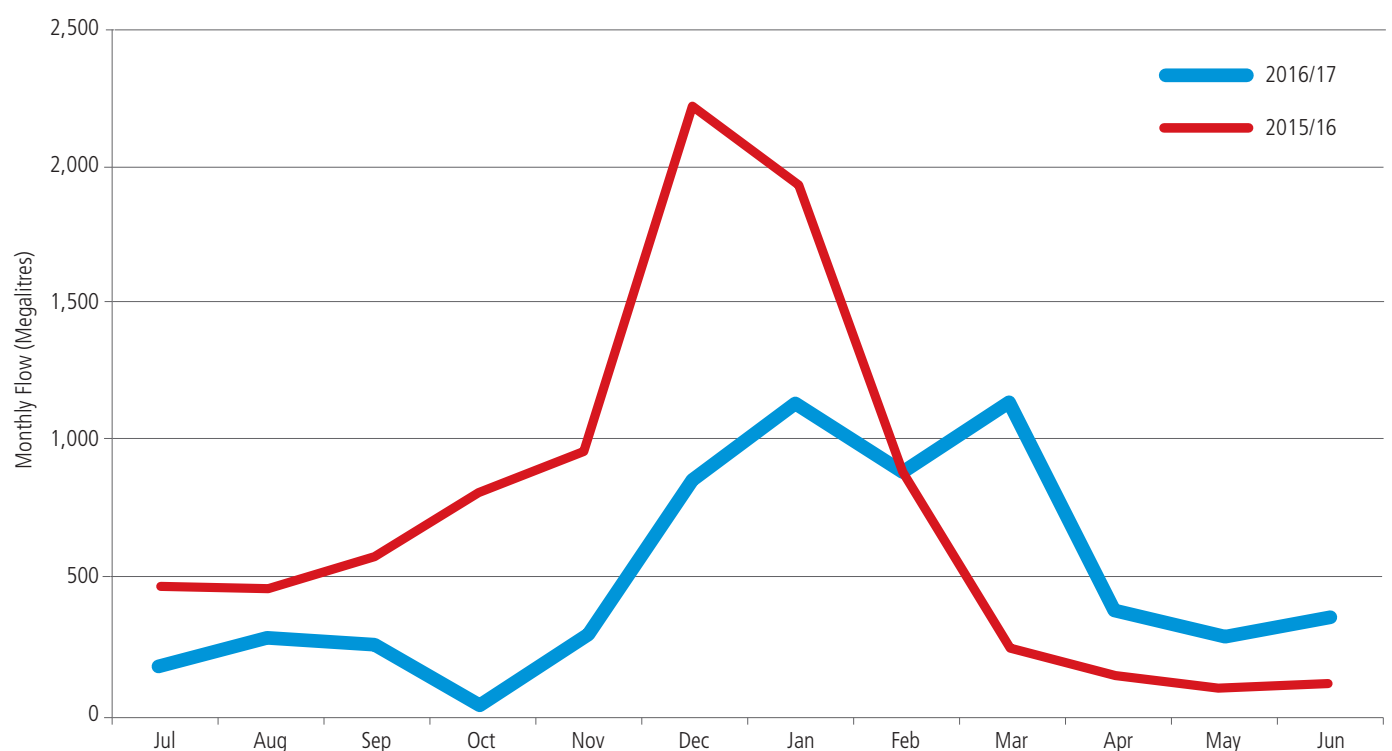
commenced and contracts let for the new Lyndoch pump station.

The construction of the water storage facility will have two benefits in both improving supply to customers in the northern part of the pipe network and allowing for a greater volume of water to be used over the critical high demand period.

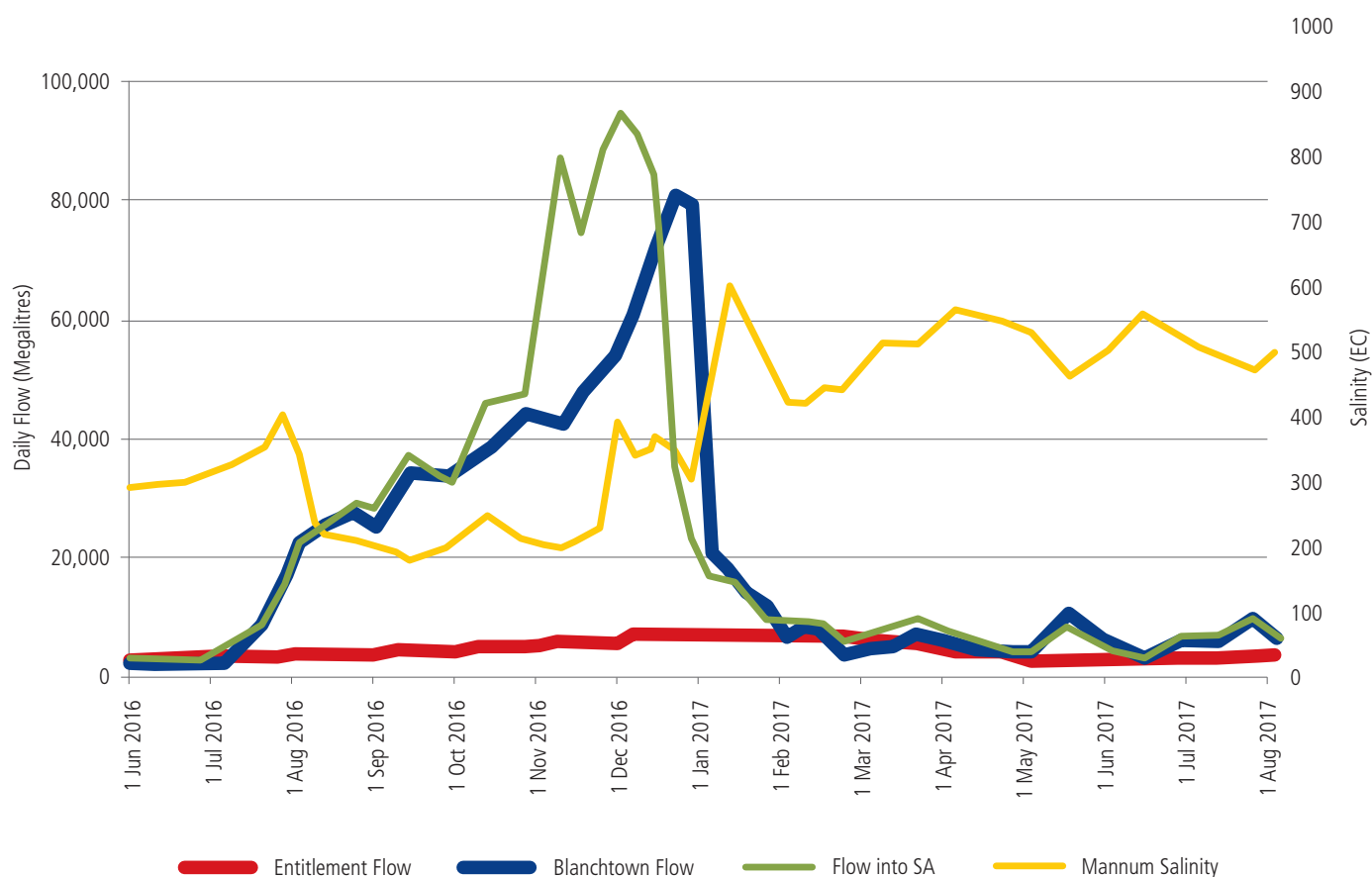
This year was one of low demand due to above average rains in winter and spring. Rainfall at Nuriootpa was 612mm compared with the average of 481mm during 2016/17. From May 2016 to April 2017 it was 662mm. Consequently, demand was low with water consumption of 6,139 Megalitres compared with 9,047 Megalitres in 2015/16. The vintage was significantly later with peak water use on 28 February compared with 30 December in the previous year. The graph below shows the variation in monthly flow.

At the time of writing, dry conditions through autumn and into winter indicate a significantly different outlook for 2017/18.

Monthly Water Use 2015/16 Compared with 2016/17



High River and Salinity



River Murray

The River Murray had a minor flood during the year and it is interesting to see how it passes through South Australia. As the flood passes the backwater flows back into the river causing higher salinities. A benefit of the Basin Plan is the releases of environmental water after the flood resulted in lower salinities than would have otherwise occurred. Average flows after the peak from March to June were 6,300 Megalitres per day compared with entitlement flow of 4,000 Megalitres a day into South Australia.

River Murray storages were 66% full compared with 40% at the commencement of the year. The season outlook is for low rainfall and high temperatures.

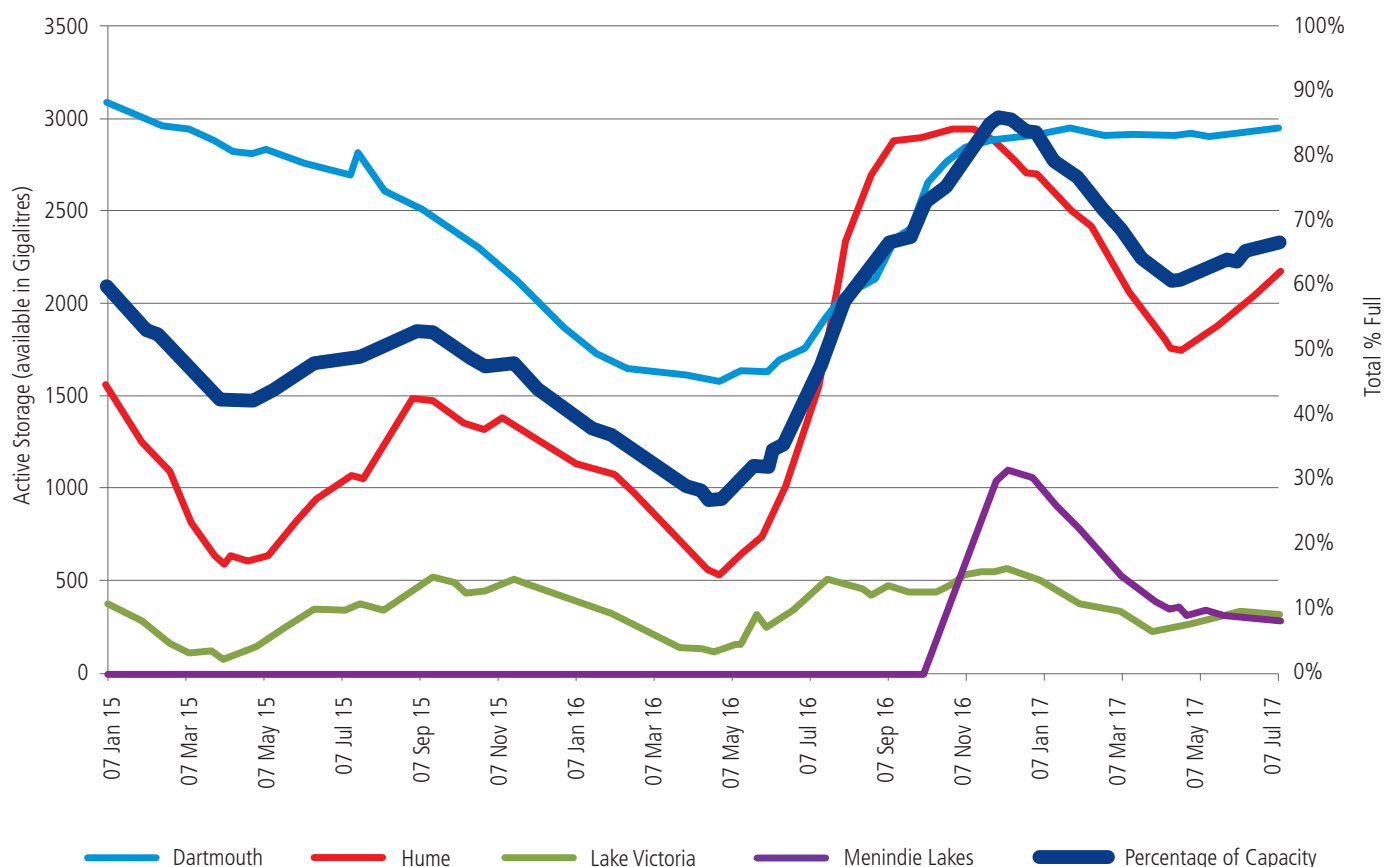
Nuriootpa Community Wastewater Management Scheme

A total of 260 Megalitres of water from Nuriootpa CWMS, or 4.2% of BIL supply was delivered. Water quality supplied by The Barossa Council was satisfactory. Total dissolved solids averaged 870 parts per million (mg/L) and 250 mg/L for the Company's supply from the Warren Reservoir. With dilution flow, the average dissolved solids were 380 mg/L for customers on Gomersal Road.

Operations

Infrastructure Maintenance Services have been contracted to provide repairs and maintenance services as well as operational support. Our thanks to Steve

River Murray Storages



Dewar and Caleb Staehr for the high level of service provided.

Modifications to the pressure reducing valve (PRV) chambers are complete. These modifications are to improve safety by provision of external control cabinets and pressure sensors. This ensures that no one enters the confined space of the PRV chamber for routine maintenance and high pressures can be monitored to avoid pipe bursts. Pressure sensors have also been installed to ensure the system is kept within design pressures and to check pressures where low pressure may disrupt supply.

Planning has already commenced on the operational parameters for the new water storage facility and pump station. The graph on page 9 indicates how the dam is utilised in a year of high demand.

Environmental Considerations

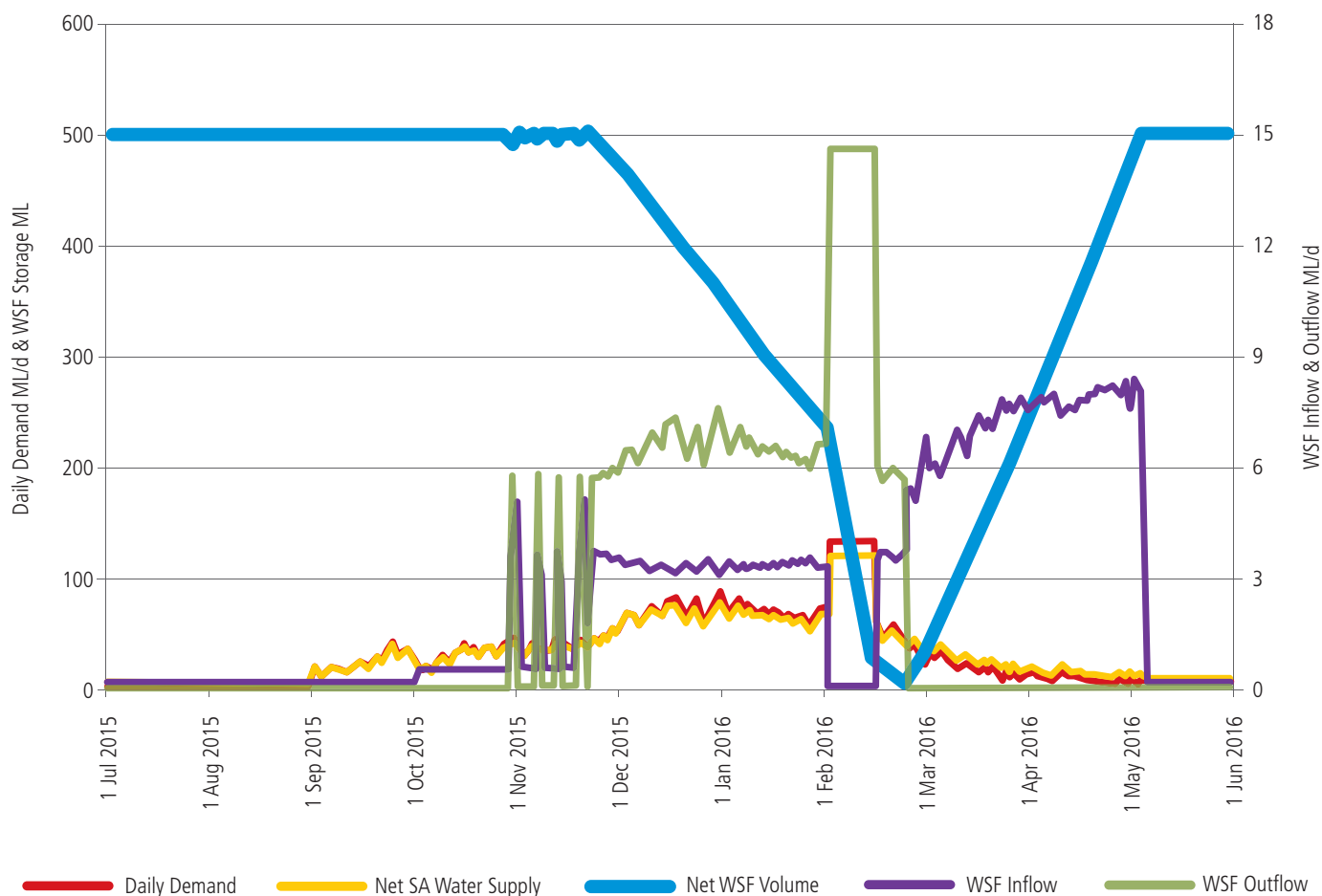
An important part of the Company's responsibility is to ensure that supplementary irrigation water is used in an effective manner and that no detrimental environmental impact occurs. A detailed environmental assessment was carried out in consultation with the Natural Resources Management Board and the Department of Water. In addition, assistance is provided with annual monitoring of stream flows and critical ground water locations to ensure there are no long term detrimental effects from the use of Barossa Infrastructure Ltd water. This is reviewed regularly and no detrimental impacts have been found.

Customers and Staff

My thanks go to Mrs Lisa Buckley, Ms Patsy Biscoe and my assistant, Mr Neville Skipworth, for their commitment, efficiency and support throughout the

Hoffmann Storage - Max + Peak (3) Scenario

500ML water storage facility, Max 180 L/s supply when above 40% Nominal Network Demand



year. Mr Borvin Kracman has been a great source of advice to both myself and the Board. He is now Project Manager for the Scheme expansion. Thank you to all customers for your support and I urge you to contact me if you require assistance with the operation of your connection or have any suggestions on how the system may be improved.

Paul Shanks
General Manager

12 September 2017

Corporate Governance Statement

Barossa Infrastructure Ltd's Board and Management are committed to the sustainable provision of supplementary irrigation water for viticulture in the Barossa region. All profits from operations are returned to the shareholders in the form of the lowest sustainable price for water.

The Board updates this statement annually, considering any further issues that may require attention.

The Company sources its water through the Water Transport Agreement with SA Water and as part of that agreement is required to have a Water Allocation from the River Murray. These rights are dependent on water availability. The Murray Darling Basin Plan, approved by Federal Parliament, is to be implemented progressively to 2019 and will assure the supply of quality water to irrigators in South Australia and better regulate the trading of water allocations and licences.

Board Role

The Board is composed of from three to twelve Directors including at least two Independent Directors. An Independent Director is defined in the Company's Constitution as one who has no financial interest in the Company or any commercial interests in any vineyard or winery in the Barossa Valley.

The Board is accountable to the shareholders and the Barossa community for the sustainable performance of the Company. The Board meets at least six times annually and sets policies and monitors performance at these meetings.

In addition to this, the Board invites participation from relevant organisations that will assist in meeting the Company's objectives and environmental requirements. This includes meeting ongoing environmental monitoring requirements.

The Board has delegated to the Executive Committee, consisting of the Chairman, Company Secretary, one Director and the General Manager, the day to day operational decisions within approved policies and budgets.

Risk Management

The Board uses a standardised method to manage major areas of risk as identified below:

1 Work Health and Safety

- *Workplace health and safety is a paramount consideration; an audit was completed and recommendations actioned to ensure that the Company is fully compliant with the new WHS Act*

2 SA Water - Water Transport Agreement

- *As well as a contractual relationship, the business relationship is actively managed with meetings and mutual cooperation on operational issues aimed at achieving win-win outcomes*
- *An updated Water Transport Agreement was signed in June 2017 which provides for the agreement to now end in 2040 with an option for the Company to extend it to 2060; the agreement provides more certainty in costs escalation and allows for further expansions*

3 Management Succession

- *A new database has been developed to contain all customer records and billing; with procedures in place for backup and off site secure storage*
- *Program of Board renewal underway to progressively introduce a range of new members with the appropriate mix of skills and experience to take the Company through its next stage, whilst retaining corporate knowledge*
- *An assistant to the General Manager and an independent engineer advisor have been appointed to assist the General Manager in his role and provide mutual cover to ensure business continuity*

4 Environmental Risks

- *The impact of importing water to the Barossa is monitored annually (refer below) and is subject to a region wide Irrigation Management Plan*
- *Climate variability (and change) and the effect of rationing on demand form part of the water and environment management strategy*
- *Nuriootpa Community Wastewater Management Scheme risk plan has been reviewed; annual reports are made to the Department of Health*

5 Safety of Pipeline and Pumping Stations

- *The life of various assets has been analysed and asset management strategies developed to minimise the risks of disruptions to supply*
- *A spares policy has been implemented to ensure rapid repair of minor leaks and bursts*

- *An Asset Management Plan has been developed and is being implemented, including monitoring of pressures at critical locations*

6 Sustainability

- *Ongoing environmental, financial and operational performance and issues are regularly monitored and action taken by management as necessary*

7 Funding

- *A successful capital raising was conducted during the year and together with new bank borrowings and infrastructure levies will fund the scheme expansion to 11GL*
- *Impact of the state of the wine industry and the ability of customers to pay their accounts is routinely monitored and supported by debtor monitoring and control mechanisms*
- *The original long term debt has been paid in full. The Board is developing asset upgrade and replacement policy as part of the asset management plan; provision will be made annually to accumulate funds to meet these future needs*

8 Scheme Expansion

- *The Company infrastructure was designed to have a capacity of 10,000 Megalitres per year; the Scheme has been expanded to a capacity of 9,000 Megalitres a year*
- *The Company is now expanding to 11,000 Megalitres a year to meet demand from existing and new customers; this includes a large storage to help balance demand*
- *These expansions are providing long term benefits to existing shareholders in the form of lower sustainable water prices, as the overheads are spread over more water sales*
- *The expansion of the Scheme was supported by a risk analysis to ensure all risks were identified and successfully managed*

9 River Murray Water Rights

- *The Basin Plan, when implemented, is likely to reduce the reliability of the allocations but improve the water quality and flow through South Australia*
- *A portfolio strategy for ownership, long term lease or short term lease of water rights has been developed and is being implemented; it involves the Company as well as individual shareholders holding water rights from interstate as well as from South Australia*

10 Water Quality

- *Regular testing of water quality is undertaken and has never proven to be a negative issue; despite popular misconceptions, River Murray water provides a high quality irrigation water resource which is, in general, better irrigation quality than most ground waters in the region*

11 Government Policy Changes

- *Recent Government policy changes that have impacted on Barossa Infrastructure Ltd were mainly as a result of COAG agreements and the Basin Plan*

Environmental Performance

The Company is aware of the variable nature of the Australian climate and that the supplementary irrigation used by our customers should be sufficient to mitigate these climate impacts without detrimental effect on either the local environment or the underground water supplies.

Review of gauging stations and shallow aquifer monitoring has indicated no areas of concern. This monitoring is at an early stage and more useful information will be available in the future.

Barossa Infrastructure Ltd assists relevant organisations in the collection and dissemination of information that will enhance the environment and promote good viticulture practices.

The Company has joined a number of organisations that promote sustainable irrigation and environmental concerns in the Murray Darling Basin. These include:

- South Australian Murray Irrigators Incorporated
- National Irrigators' Council
- and
- Irrigation Australia

As part of the process of examining the taking of treated wastewater from the Nuriootpa Community Wastewater Management Scheme, Barossa Infrastructure Ltd engaged Seed Consulting Pty Ltd to prepare a detailed risk management plan and make a submission to the Department of Health for approval, and to audit the Scheme.

Sustainability

The Board is committed to the long term sustainability of the supply of Barossa Infrastructure Ltd water to shareholders and customers.

Directors' Report

The Directors present their report together with the financial report of Barossa Infrastructure Limited ("the Company") for the financial year ended 30 June 2017 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the financial year are:

| Name, Qualifications and Independence Status | Age | Experience and Special Responsibilities |
|--|-----|---|
| Grant Walker Burge Director <i>Appointed 14 September 1998</i> | 66 | Vignerons Chief Executive Grant Burge Corp Pty Ltd, Illaparra Winery Pty Ltd, Burge Vineyard Services Pty Ltd Burge Pastoral Co Pty Ltd, Burge Estates Barossa Valley Strategic Water Management Study 'Vision 2045' Baron of the Barossa – Inducted 1990 Former Chief Executive Grant Burge Wines Pty Ltd Past Director Krondorf Ltd, Mildara Ltd, Rycroft Vineyards Pty Ltd Past Member Barossa Water Resources Board Past Councillor The Barossa Council Past President & Committee Member Barossa Winemakers Association Past Committee Member SA Wine Industry Association |
| Robert Ian Chapman Assoc Dip Bus, FAICD, F FIN Independent Director Chairman <i>Appointed 4 June 2012</i> <i>Member Executive Committee</i> | 53 | Adelaide Football Club (Chairman 2008 – present) Fortisago (Chairman 2015) Perks Accounting & Financial Services (Chairman 2012) Member of The Economic Development Board Member SA Economic Development Committee Member Next Generation Manufacturing Investment Programme Interim Committee Past President of Business SA - (2005/07) Past President of CEDA SA – (2003/06) Past Chief Executive Officer St. George Group (2010/12) Past Managing Director Bank SA (2002/10) Past Regional General Manager, WA, SA, NT Commonwealth Bank of Australia Past Chairman Kelly & Co Business Advisory Panel (2012) Past Chairman Bank SA Advisory Board (2012) <i>Former Memberships:</i> cando4kids (Ambassador) Catholic Church Diocesan Finance Council (Chairman 2004) Flinders Medical Centre Foundation History Trust of South Australia Olympic Games Fundraising Committee Premier's Climate Change Council UniSA MBA Program (Past Chairman) |

| Name, Qualifications and Independence Status | Age | Experience and Special Responsibilities |
|--|-----|--|
| Geoffrey Maxwell Davis B Ec, FCA, CTA Independent Director Company Secretary <i>Appointed 3 August 1999</i> <i>Member Executive Committee</i> | 69 | Chartered Accountant, Principal Geoff Davis & Associates Past Chairman AC Johnston Pty Ltd (Pirramimma Wines) Former Partner Ernst & Young Board Member of Sevenhill Cellars Past Chair of Saint Ignatius College Council Former Member SA Egg Board |
| Gayle Robin Grieger B Sc (Hon), PhD Independent Director <i>Appointed 2 February 2004</i> | 45 | Environmental Scientist Senior NRM Policy Officer, Adelaide and Mt Lofty Ranges NRM Board Member Australian Soil Science Society Past Member Australian Society of Viticulture & Oenology Past Committee Member 7th South Australian Rural Women's Gathering |
| John Leslie Kerr B Ec, FCA, F Fin Independent Director <i>Appointed 2 May 2017</i> | 53 | Chartered Accountant Director – Capital Strategies Pty Ltd Director – Capital Family Office Pty Ltd Chairman – Women's & Children's Hospital Research Institute Inc Director – The Creeks Pipeline Company Ltd Former Member – Premier's Climate Change Council (2008-2011) Former Board Member – Cancer Council of South Australia Inc (2003-2010) Former Chair – Advisory Board – South Australia Centre for Economic Studies (2000-2008) |
| Timothy James McCarthy Director <i>Appointed 28 February 2017</i> | 36 | Vignerons Director Janimiti Pty Ltd Viticulture Operations Manager – Pernod Ricard Winemakers Barossa Grape and Wine Association Board Member Grape Barossa Committee Member Past Member Coonawarra Grape Growers Committee Past Member Padthaway Grape Growers Committee Past Member Limestone Coast Wines Technical Committee 2015-2011 National Vineyard Manager, Pernod Ricard Winemakers 2011-2007 Regional Manager South East, Pernod Ricard Winemakers 2007-2005 Vineyard Manager Yarra Valley, Fosters Group |

Directors' Report

| Name, Qualifications and Independence Status | Age | Experience and Special Responsibilities |
|---|-----|--|
| Victor John Patrick Independent Director <i>Appointed 28 April 2008</i> <i>Member Executive Committee</i> | 73 | Director Red Dirt Estate Joint Venture Director Graymoor Estate Joint Venture Director Farmer Eden Valley/Kalangadoo Diploma – Viticulture, Vinification, Wine Chemistry & Technology Oenological Diploma Agriculture 2004-1996 Director Viticulture Foster's Group 1996-1987 Director Global Viticulture Mildara Blass Ltd 1987-1985 Ass. General Manager Vineyards Southcorp Wines Chairman Wine Grape Growers Australia Member Wine Grape Council of SA Member SA Wine Industry Assoc. Environment Committee Member University of Adelaide School of Agriculture Food & Wine Advisory Board Former Chairperson SE Soil Conservation Board Former Chairperson SA Wine Industry Council Former President SA Wine Industry Association Former Member SA Soil Conservation Board Former Member Lower SE Water Resources Committee Former Member SE Catchment Management Board Former Member SA Water Resources Council |
| Martin Paul Pfeiffer Director <i>Appointed 18 December 1998</i> <i>Resigned 24 October 2016</i> | 65 | Vigneron Director – Owner/Operator Whistler Wines, Heysen Estate Vineyards 1998 Wine Industry Study Tour France, Italy, Germany, Spain 1999 Irrigation Technology Tour Israel, California Member Barossa Wine & Tourism Association Member Barossa Winemakers Past President Barossa Lions Club Charter President Morgan Lions Club |
| Edgar Gordon Schild Director <i>Appointed 14 September 1998</i> <i>Resigned 24 October 2016</i> | 76 | Vigneron Managing Director EG & LF Schild Pty Ltd, Schild Estate Wines Wine Industry Study Tour Australia, Europe, California, South Africa 1996 Barossa Valley Vigneron of the Year Member Barossa Grape Growers Council Life Member Rowland Flat Agricultural Bureau |
| Steven James Wilson Director <i>Appointed 14 September 1998</i> | 62 | Vigneron Managing Director Anandale Vineyards Pty Ltd, Linfield Rd Wines Pty Ltd Past Member Wine Grape Growers Council – Tanunda branch Member & Past Secretary South Australian Farmers Federation Past Member SAFF Research & Development Board Past Director BREDA |

Directors' Meeting Attendance

For the year ended 30 June 2017, there have been 8 meetings of Directors. Those Directors and their attendance at meetings are as follows:

| Director | Board Meetings | |
|--------------|----------------|---|
| | A | B |
| G W Burge | 8 | 8 |
| R I Chapman | 8 | 8 |
| G M Davis | 8 | 8 |
| G R Grieger | 8 | 8 |
| J L Kerr | 2 | 2 |
| T J McCarthy | 3 | 3 |
| V J Patrick | 8 | 8 |
| M P Pfeiffer | 1 | 3 |
| E G Schild | 3 | 3 |
| S J Wilson | 8 | 8 |

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Principal Activities

The principal activities of the Company during the year consisted of:

- The delivery of water to customers from the pipeline
- The continual addressing of technical and operating matters to ensure the reliable operation of the pipeline system, and
- Securing sufficient River Murray Water Rights to enable delivery of water in accordance with the supply contract with SA Water
- Follow a feasibility study for extending the volume of water supplied under the scheme from 9GL to 11GL
- Finalising a new Water Transport Agreement with SA Water and successfully raising the necessary capital and securing sufficient water contracts with customers

Review of Operations

The net profit after providing for income tax amounted to \$1,363,359 (2016: profit \$1,859,915).

No water restrictions applied to River Murray Water Rights for the 2017 year and customers were entitled to take 100% of their contracted amounts. In contrast to the dry 2016 summer, the 2017 vintage growing season was cool with good soil moisture from winter rains, resulting in a low demand for water and lower profits. Being a take or pay scheme, unused water will be charged to customers in October 2017, thereby replacing much of the lower profit as a result of reduced demand.

State of Affairs

During the year, the final loan repayment of \$1,368,210 was made on the bank loan and as a result the Company has no borrowings at the end of the financial year.

Further share capital of \$3,048,500 (before transaction costs) has been issued as part of the capital raising associated with the scheme expansion from 9GL to 11GL. Total share capital at 30 June 2017 was \$15,166,387.

The Company has committed to a capital expenditure program, estimated at \$17.0 million, to supply the additional water. This involves SA Water infrastructure upgrades as well as BL's own infrastructure to deliver the further 2GL at contracted pressure and flow rates.

The Company negotiated a new Water Transport Agreement with SA Water to 2040, with a right to extend the term to 2060. New customers, as part of the scheme expansion, thereby have up to 42 years security of supply for the investment in and contract with the Company.

In the opinion of the Directors there were no other significant changes in the state of affairs in the Company that occurred during the financial year under review.

Directors

Total compensation for all Directors, last voted upon by shareholders at the 2013 AGM, is not to exceed \$180,000 per annum. Directors' fees and the 9.25% super guarantee for 2017 amounted to \$142,786.

Directors' Report

Environmental Regulation

The project for delivery of River Murray Water to the Barossa Region is subject to strict environmental regulation. Initially an independent consultant prepared the environmental report to assist in the Company's application to the Development Approval Commission and the relevant Water Catchment Board. Environmental approvals have been obtained for 9GL and are being sought for the additional 2GL. The Company works closely with the Department of Environment, Water & Natural Resources and Mount Lofty Ranges Natural Resources Management Board for ongoing monitoring of water usage and changes in water tables.

Likely Developments

The objective of the Company continues to be the reliable delivery of quality water to its customers at the lowest appropriate commercial price. The Company will complete its fifteenth full "water year" on 30 September 2017.

The progressive expansion over 3 years will result in new and upgraded pumps and pump stations, additional pipelines and a large water storage north of the Sturt Highway ready for the water year commencing October 2018. The increased infrastructure costs payable under the Water Transport Agreement and the additional BIL own infrastructure, including significant storage, will be funded by share capital and levies raised on the new water contracts. The company has also applied for grants to assist with the funding of the expansion.

Indemnification

The Company has agreed to indemnify all of the Directors of the Company against all liabilities to another person that may arise from their position as Directors of the Company except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the future amount of any such liabilities, including costs and expenses.

The Company has paid premiums amounting to \$10,912 to insure against such liabilities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage

Events Subsequent to Reporting Date

Since the end of the financial year the State Government has announced a 100% water allocation for 2018.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Auditor's Independence Declaration by KPMG is set out on page 44 and forms part of the Directors' Report for the financial year ended 30 June 2017.

Rounding of Amounts

The Company is not of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financials/Directors' Reports) issued by the Australian Securities & Investments Commission and therefore cannot 'round off' any amounts to the nearest thousand dollars. The Company must show the amounts in the Directors' report and financial report at the nearest whole dollar of the amount.

This report is made in accordance with a resolution of the Directors.



R I Chapman
Director



G M Davis
Director

Tanunda, S.A.
12 September 2017

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

| | Note | 2017 \$ | 2016 \$ |
|--|-------|------------------|------------------|
| Sale of Water | | 4,876,455 | 7,338,732 |
| Customer Rebate | | - | (361,094) |
| Cost of Sales | | (5,750,212) | (7,416,020) |
| Gross Loss | | (873,757) | (438,382) |
| Infrastructure Levies Revenue | | 4,069,358 | 4,369,401 |
| Other Income | | 73,931 | 137,830 |
| Administrative Expenses | | (1,466,303) | (1,359,225) |
| Results From Operating Activities | | 1,803,229 | 2,709,624 |
| Financial Income | | 39,818 | 63,518 |
| Financial Expenses | | (1,079) | (101,629) |
| Net financing income/(costs) | | 38,739 | (38,111) |
| Profit Before Tax | | 1,841,968 | 2,671,513 |
| Income Tax Expense | 4 (a) | (478,609) | (811,598) |
| Profit After Tax | | 1,363,359 | 1,859,915 |
| Total Comprehensive Income | | 1,363,359 | 1,859,915 |

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2017

| | Attributable to equity holders of the Company | | |
|---|---|------------|------------|
| | Issued | Retained | Total |
| | Capital | Earnings | Equity |
| | \$ | \$ | \$ |
| Balance at 1 July 2015 | 11,025,750 | 7,394,686 | 18,420,436 |
| Total comprehensive income | | | |
| Profit after tax | - | 1,859,915 | 1,859,915 |
| Contributions by Owners of the Company | | | |
| Issue of ordinary shares | 1,153,250 | - | 1,153,250 |
| Balance at 30 June 2016 | 12,179,000 | 9,254,601 | 21,433,601 |
| Balance at 1 July 2016 | 12,179,000 | 9,254,601 | 21,433,601 |
| Total comprehensive income | | | |
| Profit after tax | - | 1,363,359 | 1,363,359 |
| Contributions by Owners of the Company | | | |
| Issue of ordinary shares | 2,987,387 | - | 2,987,387 |
| Balance at 30 June 2017 | 15,166,387 | 10,617,960 | 25,784,347 |

The accompanying notes form part of these financial statements

Statement of Financial Position

For the year ended 30 June 2017

| | Note | 2017 \$ | 2016 \$ |
|--------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 5 | 5,294,893 | 1,675,364 |
| Trade and Other Receivables | 6 | 1,885,588 | 2,275,567 |
| Other Assets | 7 | 1,049,255 | 528,608 |
| Current Tax Assets | 4 (c) | 23,327 | - |
| Total Current Assets | | 8,253,063 | 4,479,539 |
| Non-current Assets | | | |
| Other Assets | 7 | 3,767,607 | 3,936,865 |
| Property, Plant and Equipment | 8 | 14,649,979 | 15,426,056 |
| Intangible Assets | 9 | 5,647,070 | 5,467,182 |
| Total Non-current Assets | | 24,064,656 | 24,830,103 |
| TOTAL ASSETS | | 32,317,719 | 29,309,642 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 10 | 781,919 | 613,725 |
| Employee Benefits | 15 | 127,869 | 113,932 |
| Current Tax Liabilities | 4 (c) | - | 257,132 |
| Loans & Borrowings | 11 | - | 1,368,210 |
| Deferred Income | 16 | 3,812,061 | 4,141,076 |
| Total Current Liabilities | | 4,721,849 | 6,494,075 |
| Non-current Liabilities | | | |
| Deferred Income | 16 | 1,119,451 | 990,708 |
| Deferred Tax Liabilities | 4 (d) | 692,072 | 391,258 |
| Total Non-current Liabilities | | 1,811,523 | 1,381,966 |
| TOTAL LIABILITIES | | 6,533,372 | 7,876,041 |
| NET ASSETS | | 25,784,347 | 21,433,601 |
| EQUITY | | | |
| Issued Capital | 12 | 15,166,387 | 12,179,000 |
| Retained Earnings | 12 | 10,617,960 | 9,254,601 |
| TOTAL EQUITY | | 25,784,347 | 21,433,601 |

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2017

| | Note | 2017 \$ | 2016 \$ |
|---|------|------------------|--------------------|
| CASH FLOWS USED IN OPERATING ACTIVITIES | | | |
| Cash Receipts from Customers | | 8,534,747 | 9,126,482 |
| Cash Paid to Suppliers and Employees | | (5,810,937) | (9,649,363) |
| Cash from/(used) in Operating Activities | | 2,723,810 | (522,881) |
| Interest Received | | 37,682 | 69,168 |
| Interest Paid | | (5,070) | (78,053) |
| Income Taxes Paid | | (435,073) | (481,035) |
| Net Cash from/(used) in Operating Activities | 14 | 2,321,349 | (1,012,801) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | |
| Proceeds from sale of Property, Plant and Equipment | | 10,909 | 57,929 |
| Proceeds from Government Funding | | - | 153,628 |
| Acquisition of Property, Plant and Equipment | | (242,989) | (409,288) |
| Acquisition of Intangibles | 9 | (65,736) | (2,898,747) |
| Net Cash used in Investing Activities | | (297,816) | (3,096,478) |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | | |
| Proceeds from the Issue of Share Capital | | 3,048,500 | 478,000 |
| Repayment of Borrowings | | (1,368,210) | (1,432,000) |
| Transaction costs related to capital raising | | (84,294) | - |
| Net Cash from/(used) in Financing Activities | | 1,595,996 | (954,000) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 3,619,529 | (5,063,279) |
| Cash and Cash Equivalents at 1 July* | | 1,675,364 | 6,738,643 |
| Cash and Cash Equivalents at 30 June | 5 | 5,294,893 | 1,675,364 |

*Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

The accompanying notes form part of these financial statements

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Barossa Infrastructure Limited (the "Company") is a company domiciled in Australia. The financial statements were approved by the Board of Directors on 12th September 2017. The Company is a for-profit entity.

(a) Basis of Accounting

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

(b) Basis of Measurement

The financial statements are presented in Australian dollars and have been prepared on the historical cost basis.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier adoption is permitted; however, the Company has not applied the following new or amended standards in preparing these financial statements.

AASB 9 Financial Instruments

In July 2014, the Australian Accounting Standards Board issued the final version of *AASB 9 Financial Instruments*.

AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company plans to apply AASB 9 initially on 1 January 2018.

The actual impact of adopting AASB 9 on the Company's financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet complete.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and AASB Interpretation 13 *Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 15.

AASB 16 Leases

AASB 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance including AASB 17 *Leases*, AASB Interpretation 4 *Determining whether an*

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Arrangement contains a Lease, AASB Interpretation 115 Operating Leases – Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 *Revenue from Contracts with Customers* at or before the date of initial application of AASB 16. The Company is assessing the potential impact on its financial statements resulting from the application of AASB 16.

Going Concern basis of preparation

The financial statements disclose a net working capital of \$3,531,214 as at 30 June 2017. The Company has sufficient funds to meet its working capital requirements such that the Directors consider the use of the going concern basis of preparation to be appropriate.

Use of Estimates and Judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 1 (g) – valuation of financial instruments
- note 1 (h), (i) and (j) – useful lives of fixed assets, intangibles and amortisation

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(c) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, net of the amount of goods and services tax (GST) payable to the taxation authority.

Sale of Water

Revenue from the sale of water is recognised (net of discounts and allowances) when the water passes through the customer's meter and the risks and rewards of ownership have therefore passed to the customer.

Infrastructure Levies

Revenue from Infrastructure Levies is recognised in the water year to which they relate. Infrastructure Levies due by 30 June in any year apply to the water year commencing the following 1 October. Refer Note 1(l) for details of income in advance.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Government Grants

Government grants related to assets are presented in the statement of financial position as deferred income when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Finance Income

Finance income comprises interest income on funds invested and interest charged on overdue accounts in accordance with the customer contract. Interest income is recognised as it accrues in Statement of Profit or Loss, using the effective interest method.

Sale of Non-current Assets

The gain or loss on non-current asset sales is recognised as revenue or expense at the date in which control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Finance Expenses

Finance expenses comprise interest expense on borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Interest payments in respect of financial instruments classified as liabilities are included in finance expenses.

Finance costs are expensed as incurred unless they relate to qualifying assets in which case they are capitalised to the cost of the asset as occurred during the construction of the pipeline.

(f) Income Tax – Note 4

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

adjustments to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or receivable that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(g) Financial Instruments

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The Company has the following non-derivative financial assets:

Loans and receivables

(ii) Non-derivative financial assets - measurement

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(iv) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

(h) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of property, plant and equipment is recognised in profit or loss.

The costs of assets constructed or internally generated by the Company, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Finance costs are capitalised to qualifying assets as set out in Note 1(e).

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Complex Assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

Useful Lives

All assets, excluding River Murray Water Rights, have limited useful lives and are depreciated over their estimated useful lives on a prime cost or diminishing value basis.

Assets are depreciated from the date they are installed and ready for use, or in respect of internally constructed assets, from the date an asset is completed and held ready for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed. The depreciation rates used for each class of asset are as follows:

| | 2017 | 2016 |
|------------------------------|--------------|--------------|
| Pipeline & Installation | 3.75% - 40% | 3.75% - 40% |
| Pumps & Installation | 3.75% - 50% | 3.75% - 20% |
| Meters & Installation | 10% - 40% | 10% - 40% |
| Office Furniture & Equipment | 7.5% - 66.6% | 7.5% - 66.6% |
| Motor Vehicles | 16.6% - 25% | 16.6% - 25% |
| Leasehold Improvements | 2.5% - 13.3% | 2.5% - 13.3% |

(i) Intangible Assets

(i) River Murray Water Rights

River Murray Water Rights, that are acquired by the Company and are considered to have an indefinite life, are stated at cost less any impairment losses (see 1(j)). The Company is required to test intangible assets for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the intangible asset may be impaired.

(ii) Other Intangible Assets

Other intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(iv) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The amortisation rates for the current and comparative periods are as follows:

| | 2017 | 2016 |
|------------------------|------|------|
| Software | 20% | 25% |
| SA Water Capital Works | 4% | 4% |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives the recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Financial Risk Management

Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

Risk Management Framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry in which customers operate. All customers are shareholders who have a direct interest in the Company. The Company's customer base is located in the prime sector of the Barossa Valley which is less impacted by the recent problems facing the wine industry. The Company does not have a significant exposure to any one customer as no single customer is in excess of approximately 7 percent (2016: 7%) of the Company's revenue.

Note 1 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The majority of the Company's customers have been transacting with the Company for over ten years, and no losses have occurred.

The Company has not established an allowance for impairment due to the historical success in controlling receivables. The credit policy of the Company requires that all overdue receivables are actively followed up. Receivables are reviewed bi-annually to assess whether any indications of impairment are evident.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company prepares long-term cash flow models to project the liquidity needs of future years.

Market Risk

Market risk is the risk that changes in market prices, namely interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company is debt free as at 30 June 2017, having repaid its long term debt in full, and has no interest rate risk.

Capital Management

The Board's policy is to maintain a strong capital base and a balance between borrowings and share capital. The policy is not to maximise dividend returns to shareholders but to deliver water at the lowest price that is sustainable in the long term.

(l) Deferred Income – Note 16

Of the income in advance \$953,316 relates to Infrastructure Levies billed and due at 30 June 2016. These levies related to the water year 1 October 2016 – 30 September 2017. Therefore, one quarter of the total Infrastructure Levies billed at 30 June 2016 is income in advance at 30 June 2017.

By the same principle, the majority of Infrastructure Levies billed and due at 30 June 2017 relate to the water year 1 October 2017 – 30 September 2018. Therefore the total amount billed of \$3,940,804 is income in advance at 30 June 2017 of which \$2,368,497 has been received in cash and \$1,572,307 is due by customers, as at reporting date. Subsequent to reporting date and up to 28 July 2017, a further \$1,167,154 has been received in cash.

(m) Employee Benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

Note 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(n) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(o) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

| | 2017 (\$) | 2016 (\$) |
|--|--------------|--------------|
|--|--------------|--------------|

Note 2: PERSONNEL EXPENSES

| | | |
|--|---------|---------|
| Wages, salaries and directors fees | 502,161 | 411,042 |
| Other associated personnel expenses | 7,515 | 4,940 |
| Contributions to defined contribution superannuation funds | 127,286 | 124,134 |
| Increase in liability for annual leave | 5,683 | 9,977 |
| Increase in liability for long service leave | 8,254 | 9,609 |

| | |
|----------------|----------------|
| 650,899 | 559,702 |
|----------------|----------------|

Note 3: AUDITOR'S REMUNERATION

| | | |
|---|--------|--------|
| Auditors of the Company: KPMG Australia | | |
| Audit of the financial statements | 34,132 | 33,048 |
| Other Services: Taxation Advice | 15,477 | 12,300 |

| | |
|---------------|---------------|
| 49,609 | 45,348 |
|---------------|---------------|

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

| | 2017 \$ | 2016 \$ |
|---|-----------------|------------|
| Note 4: INCOME TAX EXPENSE | | |
| (a) Recognised in the statement of comprehensive income | | |
| Current period | 154,615 | 698,664 |
| Deferred tax expense | | |
| Reversal of temporary differences | 323,515 | 112,934 |
| Reduction in the tax rate | (35,613) | - |
| Adjustment for overprovision of prior years | 36,092 | - |
| Total income tax expense | 478,609 | 811,598 |
| (b) Numerical reconciliation between tax expense and pre-tax accounting profit | | |
| Profit before tax | 1,841,968 | 2,671,513 |
| Income tax using company tax rate of 27.5% (2016: 30%) | 506,541 | 801,454 |
| Increase/(Decrease) in income tax expense due to: | | |
| Reduction in tax rate | (35,613) | - |
| Non-assessable non-exempt income | - | (25,645) |
| Non-deductible expenses | 632 | 1,134 |
| Non-deductible depreciation | 7,049 | 34,655 |
| Income tax expense on pre-tax net profit | 478,609 | 811,598 |
| (c) Current Tax Liabilities | | |
| <i>Movements during the year:</i> | | |
| Balance at beginning of year | 257,132 | 39,504 |
| Overprovision of 2016 tax liability | (36,092) | - |
| Income tax refunded/(paid): operating activities – prior year | (221,040) | (29,978) |
| Current year's income tax expense on pre-tax profit | 478,609 | 811,598 |
| Current year's timing differences for accounting and income tax purposes | (287,902) | (112,934) |
| | 190,707 | 708,190 |
| Less Instalments Paid | 214,034 | 451,058 |
| | (23,327) | 257,132 |
| (d) Deferred Tax Assets and Liabilities | | |
| <i>Deferred tax liability is attributable to :</i> | | |
| Property, plant and equipment | 374,425 | 273,532 |
| Accrued interest income | 943 | 388 |
| Prepaid Expenses | 163,380 | 99,342 |
| Intangible Assets – Capital Works | 218,271 | 86,557 |
| | 757,019 | 459,819 |

Note 4: INCOME TAX EXPENSE *continued*

Deferred tax asset is attributable to:

| | 2017 \$ | 2016 \$ |
|-------------------|---------------|---------------|
| Employee benefits | 35,729 | 35,244 |
| Borrowing Costs | 389 | 584 |
| Government Grant | 10,283 | 32,733 |
| Cost of Equity | 18,546 | - |
| | 64,947 | 68,561 |

| | | |
|------------------------------|----------------|----------------|
| Net Deferred Tax Liabilities | 692,072 | 391,258 |
|------------------------------|----------------|----------------|

(e) Movement in temporary differences during the year all recognised in income

| | | |
|-----------------------------------|------------------|------------------|
| Property, plant and equipment | (123,687) | 3,024 |
| Interest income | (587) | 1,694 |
| Prepaid Expenses | (72,318) | (69,447) |
| Intangible Assets – Capital Works | (105,840) | (86,557) |
| Employee benefits | 3,422 | 5,778 |
| Borrowing Costs | (145) | (159) |
| Government Grant | (19,722) | 32,733 |
| Cost of Equity | (4,636) | - |
| Net movement | (323,515) | (112,934) |

(f) Dividend Franking Account

The amount of franking credits available to shareholders of Barossa Infrastructure Ltd for subsequent financial years is \$3,641,323 (2016 : \$3,497,728). Franking credits for the current financial year have been adjusted to reflect the change in tax rate to 27.5% (2016 : 30%). The ability to utilise the franking credits is dependent upon the capacity to declare dividends.

Note 5: CASH AND CASH EQUIVALENTS

| | | |
|---|------------------|------------------|
| Cash at Bank – Bendigo Bank (Infrastructure Levy) | 1,703,567 | 1,391,654 |
| Cash at Bank – Bendigo Bank (Subscription Acct) | 3,333,173 | - |
| Cash at Bank – Bank SA Tanunda Cheque Account | 258,153 | 283,710 |
| | 5,294,893 | 1,675,364 |

Note 6: TRADE AND OTHER RECEIVABLES

| | | |
|--------------------|------------------|------------------|
| Trade Debtors | 1,796,467 | 2,181,458 |
| Net GST Receivable | 89,121 | 94,109 |
| | 1,885,588 | 2,275,567 |

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

| | 2017 \$ | 2016 \$ |
|--|-------------------|-------------------|
| Note 7: OTHER ASSETS | | |
| Current | | |
| Prepayments | 322,257 | 207,866 |
| Accrued Income – Water Sales | 723,570 | 319,450 |
| Accrued Income – Interest Income | 3,428 | 1,292 |
| Total Current Other Assets | 1,049,255 | 528,608 |
| Non-Current | | |
| Prepayments | 3,767,607 | 3,936,865 |
| Total Non-Current Other Assets | 3,767,607 | 3,936,865 |
| Note 8: PROPERTY, PLANT & EQUIPMENT | | |
| Pipeline and Installation | | |
| At cost | 28,369,141 | 27,957,861 |
| Less: Accumulated Depreciation | (15,437,697) | (14,705,640) |
| Total Pipeline and Installation | 12,931,444 | 13,252,221 |
| Pumps and Installation | | |
| At cost | 2,183,691 | 2,065,385 |
| Less: Accumulated Depreciation | (1,225,069) | (1,161,870) |
| Total Pumps and Installation | 958,622 | 903,515 |
| Meters and Installation | | |
| At cost | 2,291,032 | 2,164,297 |
| Less: Accumulated Depreciation | (1,719,545) | (1,528,405) |
| Total Meters and Installation | 571,487 | 635,892 |
| Capital Works in Progress | | |
| At cost | 70,926 | 548,121 |
| Less: Accumulated Depreciation | - | - |
| Total Capital Works in Progress | 70,926 | 548,121 |
| Office Equipment | | |
| At cost | 86,490 | 80,122 |
| Less: Accumulated Depreciation | (65,337) | (60,215) |
| Total Office Equipment | 21,153 | 19,907 |
| Motor Vehicles | | |
| At cost | 91,410 | 87,947 |
| Less: Accumulated Depreciation | (9,434) | (27,890) |
| Total Motor Vehicles | 81,976 | 60,057 |
| Leasehold Improvements | | |
| At cost | 15,606 | 7,052 |
| Less: Accumulated Depreciation | (1,235) | (709) |
| Total Leasehold Improvements | 14,371 | 6,343 |
| Total Property Plant & Equipment net book value | 14,649,979 | 15,426,056 |

Note 8: PROPERTY, PLANT & EQUIPMENT *continued*

| | 2017 \$ | 2016 \$ |
|--|------------------|----------------|
| Reconciliations | | |
| Pipeline and Installation | | |
| Carrying Amount at Beginning of Year | 13,252,221 | 13,899,872 |
| Acquisitions | 411,280 | 37,745 |
| Depreciation | (732,057) | (685,396) |
| Carrying Amount at End of Year | 12,931,444 | 13,252,221 |
| Pumps and Installation | | |
| Carrying Amount at Beginning of Year | 903,515 | 925,658 |
| Acquisitions | 118,306 | 38,412 |
| Disposals | - | (3,397) |
| Depreciation | (63,199) | (57,158) |
| Carrying Amount at End of Year | 958,622 | 903,515 |
| Meters and Installation | | |
| Carrying Amount at Beginning of Year | 635,892 | 700,489 |
| Acquisitions | 126,735 | 223,814 |
| Disposals | - | (110,004) |
| Depreciation | (191,140) | (178,407) |
| Carrying Amount at End of Year | 571,487 | 635,892 |
| Capital Works in Progress | | |
| Carrying Amount at Beginning of Year | 548,121 | 492,222 |
| Acquisitions | 70,926 | 393,572 |
| Transfers to Assets and Expenses | (548,121) | (337,673) |
| Carrying Amount at End of Year | 70,926 | 548,121 |
| Office Equipment | | |
| Carrying Amount at Beginning of Year | 19,907 | 17,482 |
| Acquisitions | 9,608 | 7,712 |
| Disposals | (374) | - |
| Depreciation | (7,988) | (5,287) |
| Carrying Amount at End of Year | 21,153 | 19,907 |
| Motor Vehicles | | |
| Carrying Amount at Beginning of Year | 60,057 | 53,285 |
| Acquisitions | 45,702 | 45,708 |
| Disposals | (11,430) | (25,636) |
| Depreciation | (12,353) | (13,300) |
| Carrying Amount at End of Year | 81,976 | 60,057 |
| Leasehold Improvements | | |
| Carrying Amount at Beginning of Year | 6,343 | 6,764 |
| Acquisitions | 8,554 | - |
| Depreciation | (526) | (421) |
| Carrying Amount at End of Year | 14,371 | 6,343 |
| Total Depreciation Expense for Year | 1,007,263 | 939,969 |

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

2017 2016
\$ \$

Note 9: INTANGIBLE ASSETS

River Murray Water Rights – at cost

| | | |
|--------------------------------------|-----------|-----------|
| Carrying Amount at Beginning of Year | 3,130,770 | 2,637,023 |
| Acquisitions | 251,295 | 493,747 |
| Carrying Amount at End of Year | 3,382,065 | 3,130,770 |

The Board has chosen to carry intangible assets at cost and has assessed the recoverable amount, which is in excess of the carrying amount, on the active market basis.

In assessing the useful life of River Murray Water Rights consideration is given to the contractual right granted to each non-cancellable share of water access entitlement to the River Murray resources. In light of the water access entitlement rights being non-cancellable and the Company's intention to continue using such water access entitlement rights in its operations, no factor could be identified that would result in the water access entitlement rights having a finite useful life and accordingly are assessed as having an indefinite useful life.

SA Water Capital Works – at cost

| | | |
|--------------------------------------|-----------|-----------|
| Carrying Amount at Beginning of Year | 2,332,839 | - |
| Acquisitions | - | 2,405,000 |
| Less: Amortisation and Impairment | (96,126) | (72,161) |
| Carrying Amount at End of Year | 2,236,713 | 2,332,839 |

This is the part of the increased capacity fee paid to SA Water to specifically build infrastructure to enable the project to move from 8GL to 9GL. The fee is amortised over the period of the contract with SA Water to 2040.

Software – at cost

| | | |
|--------------------------------------|---------|---------|
| Carrying Amount at Beginning of Year | 3,573 | 8,874 |
| Acquisitions | 33,141 | - |
| Less: Amortisation & Impairment | (8,422) | (5,301) |
| Carrying Amount at End of Year | 28,292 | 3,573 |

| | | |
|---|------------------|-----------|
| Total Intangible Assets at net book value | 5,647,070 | 5,467,182 |
|---|------------------|-----------|

Note 10: TRADE AND OTHER PAYABLES

Current

| | | |
|------------------------------|----------------|---------|
| Trade Creditors | 349,956 | 15,472 |
| Customer Rebate | - | 330,000 |
| Other Creditors and Accruals | 431,963 | 268,253 |
| | 781,919 | 613,725 |

| | |
|-------------|-------------|
| 2017 | 2016 |
| \$ | \$ |

Note 11: INTEREST BEARING LOANS AND BORROWINGS

Current

| | | |
|---------------------------------|---|-----------|
| Secured Loan – Bendigo Bank Ltd | - | 1,368,210 |
|---------------------------------|---|-----------|

| | | |
|--|----------|------------------|
| Total Current Interest Bearing Loans and Borrowings | - | 1,368,210 |
|--|----------|------------------|

Bank Loans

The loan that has been fully repaid was secured by a registered Deed of Charge over the assets of the Company and specific Registered Charges over customer contracts, water transport agreement and leases over water rights.

The Company has seasonal overdraft facilities of \$1.0 million which is secured by the same Deed of Charge.

Note 12: MOVEMENTS IN EQUITY

Ordinary Shares

| | | |
|--------------------------------------|------------|------------|
| Balance at the Beginning of the Year | 12,179,000 | 11,025,750 |
| Shares Issued | 2,987,387 | 1,153,250 |

| | | |
|----------------------------|-------------------|-------------------|
| Total Share Capital | 15,166,387 | 12,179,000 |
|----------------------------|-------------------|-------------------|

During the year 3,048,500 ordinary shares were issued at an exercise price of \$1 per share (2016 : 1,153,250), less the net cost of equity of \$61,113 (2016 : nil). The majority of shares issued during the year were as a result of the Offer of Information Statement.

Retained Earnings

| | | |
|--|-----------|-----------|
| Retained earnings at beginning of year | 9,254,601 | 7,394,686 |
| Total recognised income and expense | 1,363,359 | 1,859,915 |

| | | |
|-------------------------------|-------------------|------------------|
| Balance at end of year | 10,617,960 | 9,254,601 |
|-------------------------------|-------------------|------------------|

Note 13: LEASES

Non-cancellable operating leases are payable as follows

| | | |
|---|----------------|----------------|
| Within one year | 253,680 | 222,445 |
| One year or later and not later than five years | 637,123 | 536,641 |
| Later than five years | 48,771 | 20,352 |
| | 939,574 | 779,438 |

The Company leases River Murray Water Rights under non-cancellable operating leases for periods from 1 to 10 years. Lease payments comprise a base amount plus a movement in the Consumer Price Index.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

2017
\$

2016
\$

Note 14: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|------------------|-------------|
| Profit after tax | 1,363,359 | 1,859,915 |
| Adjustments for: | | |
| Depreciation and Amortisation | 1,281,069 | 1,164,956 |
| Loss on Sale of Non-Current Assets | 896 | 83,925 |
| Customer Rebate | - | 329,337 |
| Income Tax Expense | 478,609 | 811,598 |
| Operating profit before changes in working capital | 3,123,933 | 4,249,731 |
| Changes in assets and liabilities (attributable to the operating activities of the Company): | | |
| Decrease/(Increase) in Receivables | 384,991 | (1,074,033) |
| (Decrease)/Increase in Deferred Income, including government grant | (200,272) | 124,362 |
| Net GST Received/(Paid) | 4,985 | (14,236) |
| Increase in Prepayments & Accrued Income | (520,649) | (2,131,421) |
| Increase/(Decrease) in Creditors | 176,688 | (754,397) |
| (Decrease) in Accruals | (227,191) | (951,358) |
| Increase in Provisions and Employee Benefits | 13,937 | 19,586 |
| Income Taxes Paid | (435,073) | (481,035) |
| Net Cash from/(used) Operating Activities | 2,321,349 | (1,012,801) |

Note 15: EMPLOYEE BENEFITS

Aggregate Liability for Employee Entitlements

Current

| | | |
|------------------------------------|--------|--------|
| - Liability for annual leave | 55,160 | 49,477 |
| - Liability for long service leave | 72,709 | 64,455 |

127,869 113,932

| | | |
|---------------------------------|---|---|
| Number of Employees at Year End | 5 | 5 |
|---------------------------------|---|---|

| | |
|-------------|-------------|
| 2017 | 2016 |
| \$ | \$ |

Note 16: DEFERRED INCOME

Current

| | | |
|-------------------------------|------------------|------------------|
| Income in Advance | 3,774,669 | 4,069,358 |
| Government Grants | 37,392 | 71,718 |
| Total Current Deferred Income | 3,812,061 | 4,141,076 |

Non-Current

| | | |
|-----------------------------------|------------------|----------------|
| Income in Advance | 1,119,451 | 953,316 |
| Government Grants | - | 37,392 |
| Total Non-current Deferred Income | 1,119,451 | 990,708 |

The Company was the recipient of a government grant under the SARMS 3IP program amounting to \$153,628. The grant was received to acquire and install 420 WASP 2 3G loggers to enable the remote reading of meters by the company and the customer. This grant is being brought to account as income over the expected useful life of the WASP.

Note 17: RELATED PARTY DISCLOSURES

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 2) are as follows:

| | | |
|---|----------------|----------------|
| Short-term employee and director benefits | 309,092 | 272,126 |
| Other long term benefits | 9,434 | 9,971 |
| Post employment benefits | 43,394 | 50,994 |
| | 361,920 | 333,091 |

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the Company. There were no material contracts involving key management personnel interests existing at year end, other than water contracts entered into by the key management personnel as customers of the water project on the same terms and conditions as all other investors/customers.

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

Note 17: RELATED PARTY DISCLOSURES *continued*

Directors' holdings of shares

The interests of Directors of the reporting entity and their Director related entities, in shares with the Company at year end are as follows:

| | 2017 Number Held | 2016 Number Held |
|--|---------------------|---------------------|
| G W Burge | - | - |
| Burge Corporation Pty Ltd | 563,500 | 493,500 |
| T J McCarthy | - | - |
| M McCarthy | 17,500 | - |
| E G Schild | - | - |
| E G & L G Schild Pty Ltd | 108,500 | 108,500 |
| Moorooroo Pty Ltd | 26,250 | 26,250 |
| M P Pfeiffer | - | - |
| M P & C J Pfeiffer | 21,000 | 21,000 |
| Total Number of Shares in the Company held by Directors and their Director Related Entities: | 736,750 | 649,250 |

Other Transactions with the Company

The Company Secretary, G M Davis and Director, J L Kerr, of Barossa Infrastructure Limited, hold positions in other entities that result in them having control or significant influence over these entities. G M Davis is a key management person who is the principal of the firm Geoff Davis & Associates, Chartered Accountants, resulting in him having significant influence over the financial and operating policies of that entity. Geoff Davis & Associates has provided secretarial, consulting and accounting services to the Company in the ordinary course of business for the year ended 30 June 2017. J L Kerr, who was appointed as a Director of Barossa Infrastructure Limited on the 2 May 2017, is a key management person and is the principal of the firm Capital Strategies Pty Ltd, Chartered Accountants, resulting in him having significant influence over the financial and operating policies of that entity. Capital Strategies Pty Ltd is engaged as Barossa Infrastructure Limited's corporate adviser and has provided services to the Company associated with this appointment. The terms and conditions of the transactions with G M Davis and J L Kerr and their related entities, were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related parties on an arm's length basis.

Details of amounts other than Directors' fees paid to the above mentioned Director Related Entities are as follows:

| Director | Director Related Entity | 2017 (\$) | 2016 (\$) |
|------------------------|----------------------------|--------------|--------------|
| G M Davis | Geoff Davis & Associates | 186,530 | 161,260 |
| J L Kerr | Capital Strategies Pty Ltd | 11,058 | - |
| Current Payable | Geoff Davis & Associates | 26,700 | - |

Note 18: FINANCIAL INSTRUMENTS

(i) Credit Risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

| | Note | Carrying Amount 2017 \$ | 2016 \$ |
|-----------------------------|------|-------------------------------|------------------|
| Cash and cash equivalents | 5 | 5,294,893 | 1,675,364 |
| Trade and other receivables | 6 | 1,885,588 | 2,275,567 |
| | | 7,180,481 | 3,950,931 |

Impairment losses

The aging of the Company's trade receivables at the reporting date was:

| | Gross 2017 \$ | Gross 2016 \$ |
|------------------------|------------------|------------------|
| Not past due | 1,572,307 | 2,110,400 |
| Past due 31-60 days | - | - |
| Past due 61-90 days | 139,406 | 54,675 |
| Past due 91 days and > | 84,754 | 16,383 |
| | 1,796,467 | 2,181,458 |

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables that are not past due or past due by up to 30 days. Of the trade receivables balance of \$1,796,467 at 30 June 2017, payments since received from customers for the period from 1 July 2017 to 28 July amount to \$1,350,166 and have been applied as follows: Not past due \$1,167,154 Past due 61-90 days \$112,047 and Past due 91 days and > \$70,965. The remaining outstanding balance relates to customers that have a satisfactory credit history with the Company.

(ii) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| Non-derivative financial liabilities | Carrying | Contractual cash flows | 6 months or less | 6 – 12 months | 1 – 2 years | 2 – 5 years | More than 5 years |
|---|----------------|---------------------------|---------------------|------------------|----------------|----------------|----------------------|
| Overdraft facility | - | - | - | - | - | - | - |
| Trade and other payables | 781,919 | (781,919) | (781,919) | - | - | - | - |
| | 781,919 | (781,919) | (781,919) | - | - | - | - |

In addition, the Company maintains a \$1 million overdraft facility to cover seasonal fluctuations of cash flow that is secured over the assets of the Company. Interest would be payable at the rate of 9.30%.

Note 18 continued overleaf

Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2017

Note 18: FINANCIAL INSTRUMENTS *continued*

(iii) Interest Rate Risk

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| | Carrying Amount | |
|----------------------------------|------------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Fixed rate instruments | | |
| Financial liabilities | - | - |
| Variable rate instruments | | |
| Financial assets | 5,294,893 | 1,675,364 |
| Financial liabilities | - | (1,368,210) |
| | 5,294,893 | 307,154 |

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Note 19: COMMITMENTS

The Company, pursuant to the new Water Transport Agreement, has a commitment to SA Water of \$7,456,000 for infrastructure upgrades for the delivery of a further 2GL of water. An amount of \$5,324,000 is payable in March 2018 with a further amount of \$2,132,000 payable in March 2019.

The Company has committed to the expansion of the project to 11GL. This is expected to involve expenditure of some \$10.0 million on the upgrading of pumps, building of new pump stations, laying of additional pipelines and the construction of a large water storage facility. No contracts for construction have been awarded yet but agreements for leasing of the water storage facility site and a pump station site have been entered into.

Note 20: EVENTS SUBSEQUENT TO REPORTING DATE

Since reporting date, the South Australian State Government has announced that 100% water allocations (last year 100%) will apply to entitlements for River Murray Water for 2018. Water storage in the Murray Darling system is at 69% as at 19 July 2017, compared to 51% at 31 July 2016.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Directors' Declaration

In the opinion of the Directors of the Company:

- (a) the financial statements and notes that are set out on pages 18 to 42, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the Directors draw attention to note 1 (a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.



R I Chapman

Director



G M Davis

Director

Tanunda, S.A.

12 September 2017

Auditor's Independence Declaration



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Barossa Infrastructure Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Barossa Infrastructure Limited for the financial year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG


Paul Cenko
Partner

Adelaide

12 September 2017



Independent Auditor's Report

To the shareholders of Barossa Infrastructure Limited

Opinion

We have audited the **Financial Report** of Barossa Infrastructure Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Statement of financial position* as at 30 June 2017;
- *Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows* for the year then ended;
- Notes including a summary of significant accounting policies; and
- *Directors' Declaration*.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Barossa Infrastructure Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.



Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our Auditor's Report.



Paul Cenko
Partner

Adelaide

12 September 2017



Customer Service Centre

2 Basedow Rd,
Tanunda, SA 5352
Phone 08 8563 2300
Fax 08 8563 1266

Registered Office

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